

- The sum total of financial and non-financial benefits received by employees for their job performance in an organization are known as reward.
- Employees join the organization with the expectation of certain reward.
- Rewards are financial and non-financial means used in order to get the best effort and commitment from the employees as a partner in business.
- Economic and non-economic benefits provided by the organization to employees for their job performance regardless of their expectation is known as reward.

- When people decide to take up a job, there are various factors they consider such as working conditions, the reputation of the organization, training opportunities, and security of tenure and perhaps most importantly, reward for the job, that is, how attractive the job is in terms of monetary and non-monetary compensation.
- Although the attractiveness of the reward package depends on personal perceptions, the higher the reward the better the chance of attracting, utilizing, and retaining the best human resources in the organization.

- Matching the reward system with the level of performance and expectation of the employee is known as reward management.
- An attractive and transparent reward system must have quality to motivate and empower the dedicated and reliable employees.
- Thus reward management means ascertaining and providing the reward to an employee according to their job performance and maintaining the record of this.
- This will motivate employees to make their effort in achieving the organizational goal.

- Appropriate, up to date, transparent and competitive reward management will provide high morale to the employees. They feel proud to be associated with the organization.

- Rewards motivate employees and makes them optimistic positive towards the organization. But, if it is not effective, it may affect employees and organization adversely.
- Ineffective reward system reduces the performance of employees and hampers in the productivity of organization.
- An effective reward management system is essential for high satisfaction and motivation of employees at work. It is concerned with the process of employee attraction, motivation and retention. Therefore, an effective reward system should possess the following qualities.
- **Importance/ Need Based:** Rewards, if connected with the need of the employees, then it can be important to the employees. For example, if an employee has self-esteem need, providing recognition an appreciation may be appropriate reward to her/him.

- **Performance Based:** Reward must be based on the performance. Better performer must receive better reward than the average and poor performer.
- **Equitable/Unbiased:** Equitable is concerned with the fairness in distributing rewards to the employees. Employees identical to their job performance should be rewarded equally. Bias reward system will create conflict in the organization.
- **Timeliness:** Appropriate reward must be provided in an appropriate time. Too early reward and too late rewards does not provide good amount of motivation to the employees. Hence, reward should be provided in appropriate time
- **Cost effective:** The reward received by the employee should not exceed the benefit received by the organization. The concept of making employee happy through the expensive reward is wrong.

- **Transparent and Predictive:** Rewards, to be effective, must be visible and seen by the employees. Employee must be familiar with the reward system and the reward must be distributed transparently. Employees should be able to calculate and predict their reward in an advance. Employees become enthusiastic and motivated if they are aware about the type, size and quality of reward.
- **Competitive:** Reward system must be competitive in contrast to that of other organizations. Reward must be revised timely. Good reward system will attract and retain the competent employees.
- **Flexibility:** Rewards, to be effective, should be flexible to vary with changes in the performance. This means, rewards should vary as per the changes in actual performance of the employees.
- **Use of team reward for interdependent job:** An interdependent job holds the philosophy that the tasks are interrelated with each other, and is performed step by step. The overall completion of such jobs is not the credit of single individual, rather it is due to the combined effort of all team members involving in the entire process of the job. Hence, in such a situation it is advisable to use team rewards such as gain sharing and bonuses.

Intrinsic Rewards:

- Intrinsic rewards are the satisfactions that an individual obtains from the job itself. These rewards consists of having a pride on work, having a feeling of accomplishment, or being a part of the team. Job satisfaction, sense of achievement, considering oneself as an important member of an organization in some of the outcomes of this rewards. Intrinsic rewards are not provided by the organization rather it is a sense of feelings that an employee get from the job.

Extrinsic Rewards:

- Extrinsic rewards are the benefits provided externally. These rewards are provided in term of money and fringe benefits. These rewards are necessary to fulfill physiological and safety needs of the employees.

Intrinsic Rewards	Extrinsic Rewards
<ul style="list-style-type: none"> • Interesting job • Challenging job • Job autonomy • Career development opportunity • Participation in decision making • Job enrichment • Job rotation • Flexible working hours • Shorter working hour 	<ul style="list-style-type: none"> • Salary, • Wages, • Bonus • Facilities, • Prize • Recognition • Medal • Certificate of Appreciation • Promotion

Financial Rewards:

- Financial rewards means those direct and indirect payments that enhance the employee's wellbeing.
- Financial rewards make employee financially sound so that he/she can fulfill his/her material desire. It helps to fulfill the basic and other requirement of employees.
- Therefore, it is also known as the most important and effective tool for motivation.

Non-Financial Rewards:

- Non-Financial rewards are those employees' benefits that do not enhance an employee's financial wellbeing. However such rewards provide more job satisfaction.
- Preferred launch hours, preferred office furnishing, parking spaces, impressive job title, desired work assignments, business cards, own secretary etc. are some of its examples

Financial Rewards	Non-Financial Rewards
<ul style="list-style-type: none"> • Salary and wages • Bonus, commission, grade • Pension, gratuity, insurance facility • Accommodation, transportation, communication allowance • Profit sharing • Participation on company's share • Paid sick leaves, discounts etc. 	<ul style="list-style-type: none"> • Favourable work environment • Standard and well facilitated work place • Attractive position • Responsibility choice • Work autonomy • Job security • Well-furnished furniture and equipment • Personal assistant • Launch time and rest hours • Team work, peer groups • Extracurricular and sports opportunity • Praise and recognition from senior.

Performance Based rewards:

- Rewards which is based on the job performance is known as performance based reward. Under this provision, high quality/producing employees will be rewarded highly and low producing employees will be rewarded at low level.

Membership based rewards:

- Membership based rewards are those rewards that are paid on the basis of being a member of an organization. It means, the basis of allocating rewards is employee's organizational membership. Hence, the reward goes to all employees irrespective of their performance.

Performance Based Rewards	Membership Based Rewards
<ul style="list-style-type: none"> • Piece Rate System • Additional Wages for above par performance • Commission • Bonus 	<ul style="list-style-type: none"> • Equal salary and allowance • Equal growth rate in salary and allowance • Equal distribution of bonus and profit • Opportunity of promotion • Grade provision based on seniority • Salary and wages based on working hours. • Praise and recognition provided to a group or a team

Punishment is the process of either administering an unpleasant stimulus, such as a warning letter or a suspension, or withholding a reward, such as not granting a scheduled pay increase because of an employee's job deficiencies.

- Opposite of Reward
- For problem employee or for poor performance or for violation of Employee code of conduct
- The degree of punishment may vary

- **Oral Reprimand/ Warning:** For example, employee sleeping during working hours or found smoking in the workplace, the supervisor may verbally warn the employee.
- **Written Reprimand** — Manager writes up the warnings and mails it to the employee concerned. The employee is called for explanation. A copy of his reply is sent to HR Department.
- **Disciplinary Suspension** — It is awarded for minor offenses. It may extend for a few days.
- **Loss of Privilege** — Some of the privileges like assigning interesting work, shift preferences, leave, flexi hours, choice of machine etc., may be withdrawn for a given period.
- **Fine** — A deduction may be made from the pay for certain offences like damage to the goods, machines and property of the company or for loss of money he has to account for.
- **Transfer** — An employee may be transferred to a far off place or to a different department for the offence committed. It is usually awarded by companies or institutions operating with a network of branches. Government institutions practice this type of punishment.

Major Punishment:

- **Pay cut** – Cutting employee's pay for offences relating to damage or loss of property. The loss is recovered from the pay of the employee.
- **Demotion** – When the employee proves himself to be unfit for the present job he is holding, he is downgraded to a lower job carrying lower pay and responsibilities. It has a serious implication on the employee's morale and motivation.
- **Suspension pending enquiry** – It is awarded for serious offence. His regular wages are withheld during the period. The punitive suspension may extend for a longer period say several months till the enquiry is completed. Employee gets subsistence allowance during the suspension period.
- **Discharge** – It is awarded for the gravest offence involving integrity, moral turpitude, etc. There is a stigma attached to the dismissal and he may find it difficult to get employment elsewhere.

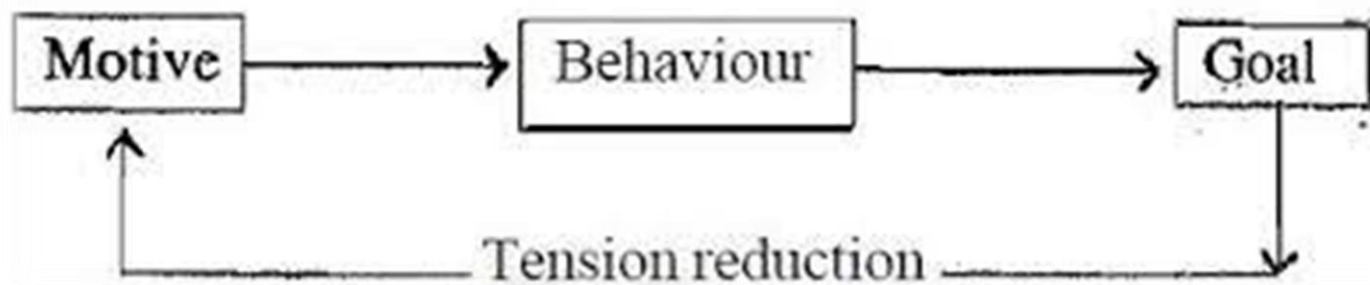
Motivation

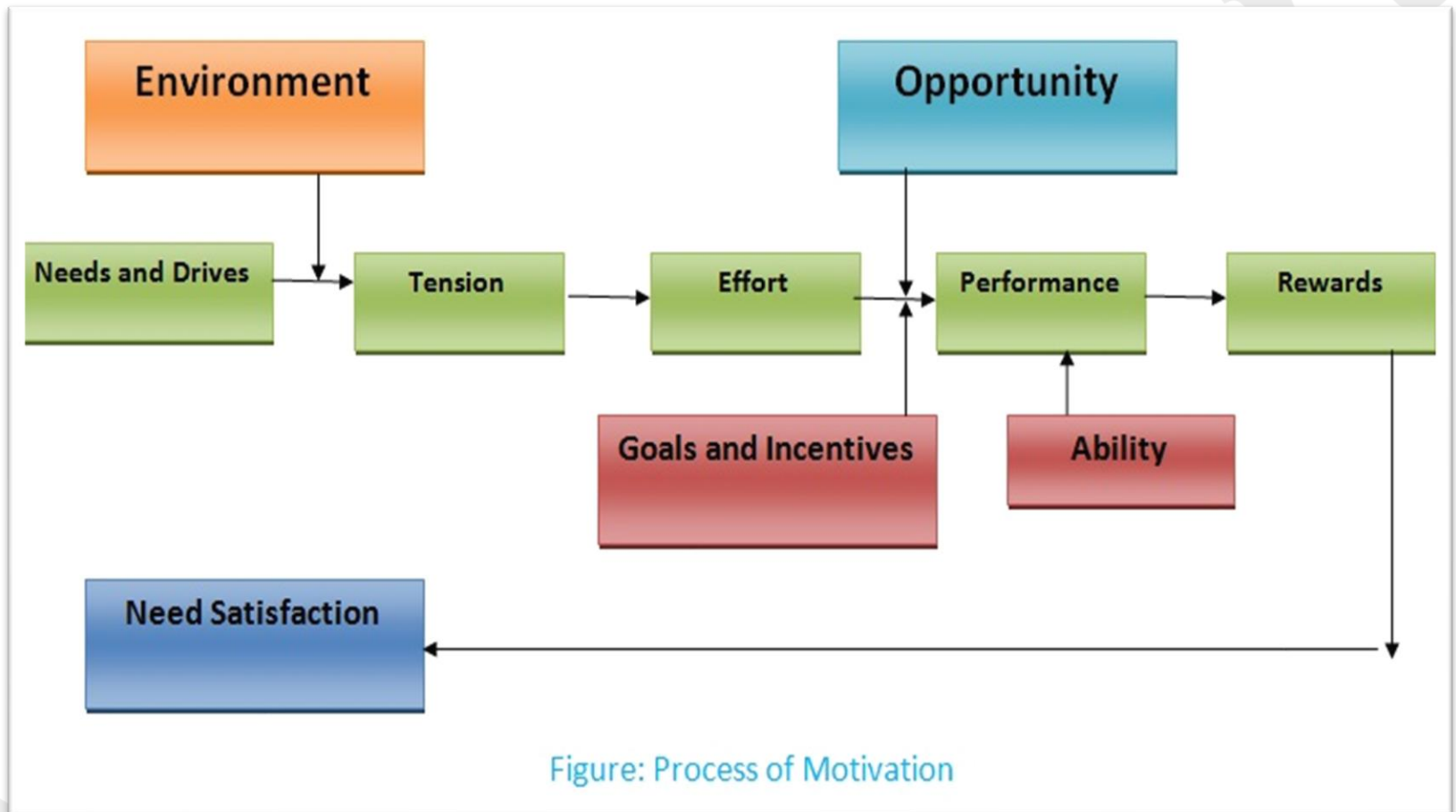
- Motivation can be defined as a willingness to spend and expand energy to achieve goal or reward.
- The set of forces that causes people to behave in certain way is known as motivation
- A psychological process within an individual that cause stimulation, direction and persistence of voluntary action that are goal oriented.
- A person's desire and commitment to exert high levels of efforts toward organizational goals, conditioned by the effort's ability to satisfy some individual need.
- **Motivation = Desire x Commitment**
- Some of the popular the theories of Motivation are: Maslow's Hierarchy of Needs, Herzberg's Motivation – Hygiene Theory, McClelland Achievement Motivation, Expectancy Theories etc

Motivation

- Motivation is defined as the act of inspiring the subordinates to work hard to achieve the goal of an organization from the bottom of the heart. So it is the inner state that activates the person to do something.
- Motivation is the set of forces that causes people to behave in certain way.
- Motivation can be defined as a willingness to work to expend energy to achieve a goal or rewards.

Process of Motivation





Importance:

- Increased Productivity:
- Develops positive attitude
- Utilizes the resources
- Stops absenteeism and turnover
- Creates willingness
- Realizes the organizational goal
- Accepts the organizational change

Techniques:

- Financial Motivation
- Active Participation of Employees
- Delegation of Authority
- Job Security
- Job Enlargement
- Job Enrichment
- Job Rotation
- Reinforcement
- Stock Option